Saskatchewan Water Corporation
Annual Report 1985

SASKATCHEWAN
WATER
CORPORATION

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SASKATCHEWAN WATER CORPORATION

Saskatchewan Water Corporation

Letter of Transmittal

Regina, Saskatchewan
April 10, 1986

To His Honour,
The Honourable Frederick W. Johnson
Lieutenant Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Water Corporation for the year ended December 31, 1985, including financial statements therefor, duly certified by the Provincial Auditor and in a form approved by the Treasury Board, all in accordance with **The Water Corporation Act.**

Respectfully submitted,

Eric Berntson
Minister Responsible for
Saskatchewan Water Corporation

Minister's Remarks

In January of 1985, I assumed responsibility for Sask Water from my colleague the Hon. Paul Schoenhals. I want to take this opportunity to thank Paul for his many contributions in establishing and laying the groundwork for future development by this new Crown corporation responsible for managing, developing and administering our water resources.

The Crown corporation approach to water management has proven to be a sound one. It has presented the corporation with flexibility as it develops programs and management plans for water project development.

In addition, decentralization through the regional office structure, when combined with regional watershed advisory boards, has improved awareness of local and regional concerns. That doesn't mean that the solutions are any easier or that the problems are any less serious. However, it does mean that the corporation is in a much better position to respond to each situation.

I was pleased to participate on September 25, 1985, in the official opening of Sask Water's new head office and the east central regional office in Moose Jaw. The corporation had been operating for a period of time out of Regina. The opening of the Moose Jaw offices, along with the establishment of our other regional offices, confirmed our government's commitment to improve accessibility and to create new business and employment opportunities through decentralization. I appreciate the help and advice given to us by those who worked so closely and cooperatively with the employees of Sask Water and Government Supply and Services.

In March of 1985 I was pleased to name Vern Fowke as president of the corporation, a position he held in an acting capacity since November, 1984 in addition to his duties as the corporation's controller. We were also pleased to add one member to our board of directors, Mr. Don Olah of Weyburn, a man much experienced in agriculture, business and local government. Mr. Olah's representation on the board strengthens our non-governmental membership.

The regional watershed advisory boards also saw some additions. Mr. Ab Bridges of North Battleford was named to and appointed chairman of the Northwest Regional Watershed Advisory Board. Mr. Leonard Trask of Paradise Hill was also appointed to the Northwest Regional Watershed Advisory Board and Mr. John Bahniuk of Canora was named to the East Central Regional Watershed Advisory Board. We look forward to the many positive contributions these individuals will bring to their respective regions. These regional boards are an important source of information and local expertise, one that is relied upon by our regional managers and their employees. The input these boards provide to local decision making gives the corporation guidance and direction in focusing on local needs and program implementation through the regional office structure.

In 1985 the board of directors approved three new policies to assist agriculture, and smaller communities. For agriculture, the board approved a new dugout and small storage reservoir program that provides assistance for individuals developing adequate domestic water supplies, and a water monitoring assistance program for irrigation. Put into place in water sensitive areas, the water monitoring program will provide irrigators with valuable information on their operations and the corporation with information from which to develop water management plans in keeping with the regions' needs and characteristics. For Saskatchewan's communities with populations of 1,500 and less, a new water and sewer technical assistance policy was approved. This policy enables small communities to obtain the advice and services of corporate staff and industry consultants knowledgeable in the field of water and sewer development. In this way, these communities can better plan for and finance local improvement and development.

Eric Berntson
Deputy Premier,
Provincial Secretary
Minister Responsible and
Chairman of the Board of
Directors, Saskatchewan
Water Corporation

The board of directors remains dedicated to implementing water management policies and projects that will assist in providing our citizens with adequate flood protection; stimulate and protect our agricultural industry; improve water and sewer services; emphasize multi-use projects; and assist industry and natural resource companies as they use the resources of our province to create employment and generate new business and development opportunities.

We will also continue the process of cooperating with the federal government in undertaking joint studies and cost-sharing programs.

When I represented Sask Water at the Canadian Water Resources Association national conference held at Lethbridge in June, 1985, I emphasized that in Saskatchewan we have a unique approach to water management, one which is widely supported.

We have a valuable resource to manage and a diverse and large province to do it in. The water management decisions we make are important. They require the cooperation, input and dedication of all those affected. It is in that spirit that the corporation approaches the question of how our water resources should be managed to meet today's needs and the needs of future generations.

Eric Berntson

Board of Directors and Officers

Directors

Left to Right: Mr. Don Olah, Weyburn; Mr. Doug Cole, Moose Jaw; Hon. Eric Berntson, Chairman, Regina; Mr. W. H. (Hartley) Furtan, Ph.D., Saskatoon; Mr. Michael Costello, Regina; and Hon. Neal Hardy, Vice-Chairman, Regina.

Officers

Vernon C. Fowke, F.C.A.
President

David L. MacLeod, P.Eng.
Vice-President, Resource Management

Jerry F. Danyluk
Vice-President, Watershed Management

Raymond S. Pentland, P.Eng.
Vice-President, Water Supply and Utility Management

Ian Disbery, Corporate Secretary

Saskatchewan Water Corporation

President's Report

Managing, developing and administering Saskatchewan's water resources is a task that requires our water resource professionals to be both practical and visionary. They need to react to and meet today's needs and changing environment while at the same time keeping in mind and planning for the demands and likely nature of the future. That is why I was pleased to accept, in March of 1985, the position of president of the Saskatchewan Water Corporation, a corporation whose mandate includes those kinds of requirements.

In 1985 the corporation's head office and the east central regional office relocated from Regina to new office space in Moose Jaw, with the other regional offices being established at various times throughout the year.

Relocating a head office and regional offices to new communities is no easy task. I want to thank all staff and those directly involved with our move in Government Supply and Services and the private sector for their cooperation and for their patience as we made the moves.

Vernon C. Fowke, F.C.A.
President

We look forward to meeting the needs of Saskatchewan out of our new offices in Moose Jaw and our other regional and branch offices throughout the province. There is no question that decentralization improves our ability to respond to local issues and concerns relating to water management.

1985 saw many accomplishments and important projects for Sask Water and the residents of our province.

Some examples of major initiatives and activities were:

- A $1.6 million agreement with the City of Weyburn to construct flood protection works.
- The completion of a $1.2 million flood control project at Rosetown under the Urban Flood Control Program.
- Flood control projects in northeast Saskatchewan at Salkeld Lake near Kelvington and for the Village of Aylsham.
- Successful negotiations with the Piapot Indian Band under the Qu'Appelle Conveyance Agreement. It is anticipated that these negotiations will lead to the successful completion of Phase III of this important channel improvements project.
- The continuation of water supply assistance programs and the implementation of new programs and projects to help farmers, ranchers, communities, and individuals meet problems associated with water shortages and water quality. A good example of this type of activity was the construction of a water pumping project for irrigation near Cypress Lake in southwest Saskatchewan. This project came about in response to a crisis situation being faced by local farmers and ranchers due to drought conditions experienced over the past several years.
- A new water supply pipeline project that will serve the villages of Marquis and Tuxford.
- Major water and sewer projects in northern Saskatchewan at Pelican Narrows and Denare Beach.
- Successful negotiations with federal officials on federal/provincial agreements for flood protection.
- The completion of a federal/provincial irrigation projects appraisal study.
- Major river basin studies.
- The streamlining of communications and improvements in technical services by using technological advances for data processing, drafting, word processing and inter-office communications.
- Improving and finalizing engineering design and construction standards for the corporation.

President's Report

Our employees continue to meet with professional associations, water user groups and associations, local government officials and individuals in the ongoing development of new and innovative approaches to water management problems and concerns. Funding of the many projects continues to be our greatest challenge, since there is never a shortage of demands, expectations, or requests. Our Municipal Water Assistance Program continues to form a major part of our funding activities and we are pleased to have continued the prompt payout schedule for works completed under the program.

Water management is not a short-term task. Projects are often large and costly. Whenever possible we will continue to work with all sources of possible financing, including local contributions, federal/provincial costs sharing, and funding by interested third-party groups. We will also continue to work with local and regional interests to ensure that those projects with the greatest impact are the ones which receive the highest priority. This will be done in the framework of ensuring that the maintenance and operation of existing projects continue to occur.

1985 was a rewarding and challenging year. As a new Crown corporation undertaking a unique role for water management, we look forward to the new direction we can provide for Saskatchewan. We are determined to meet the challenges and opportunities we see before us.

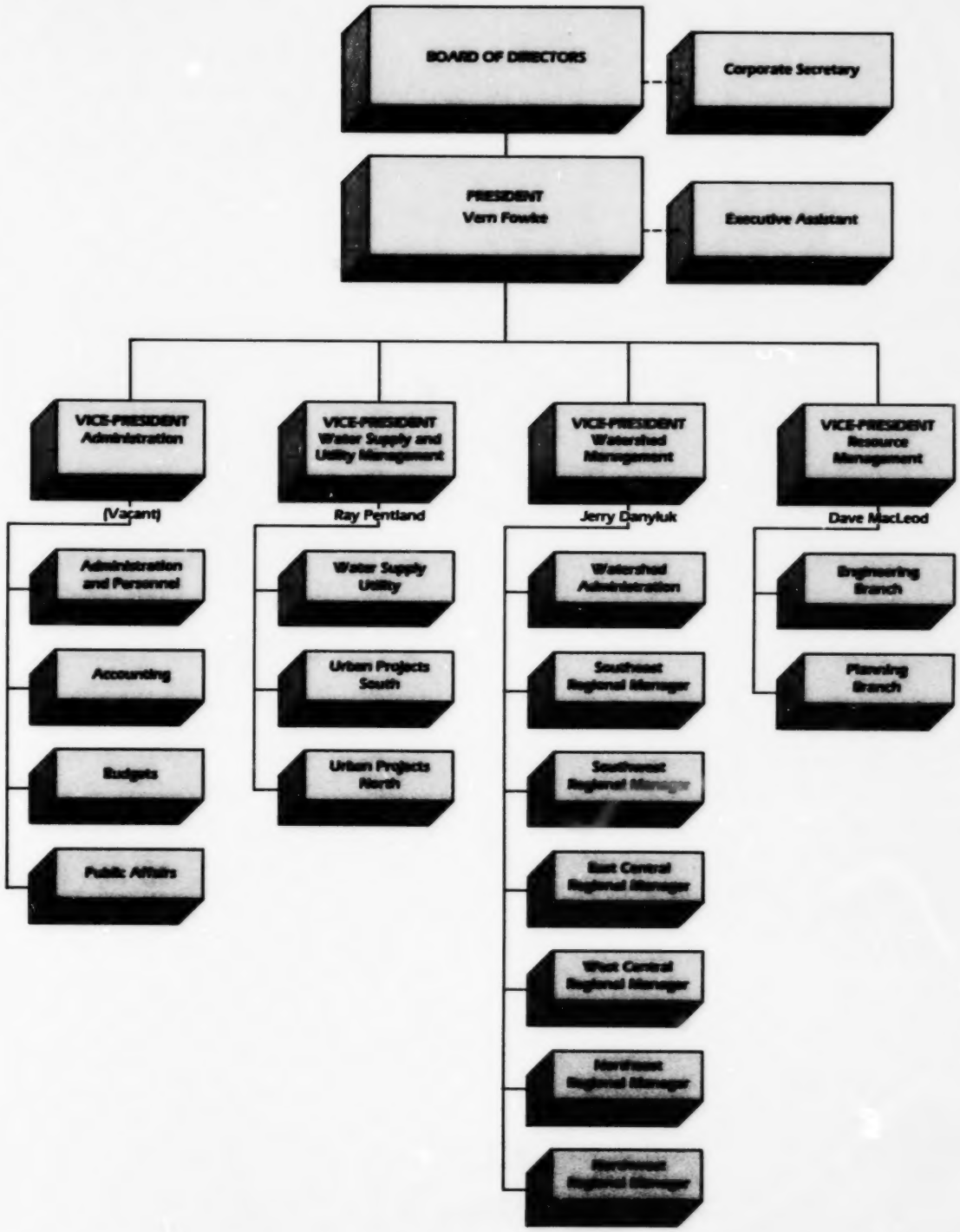
In addition to working for the betterment of our province through the wise management of our water resources, our employees have also demonstrated that they care about the communities in which they live. I thank them for donating their time freely for the improvement of their communities. Their contributions reflect positively both on them and on the corporation.

V. C. Fowke

V. C. Fowke, F.C.A.

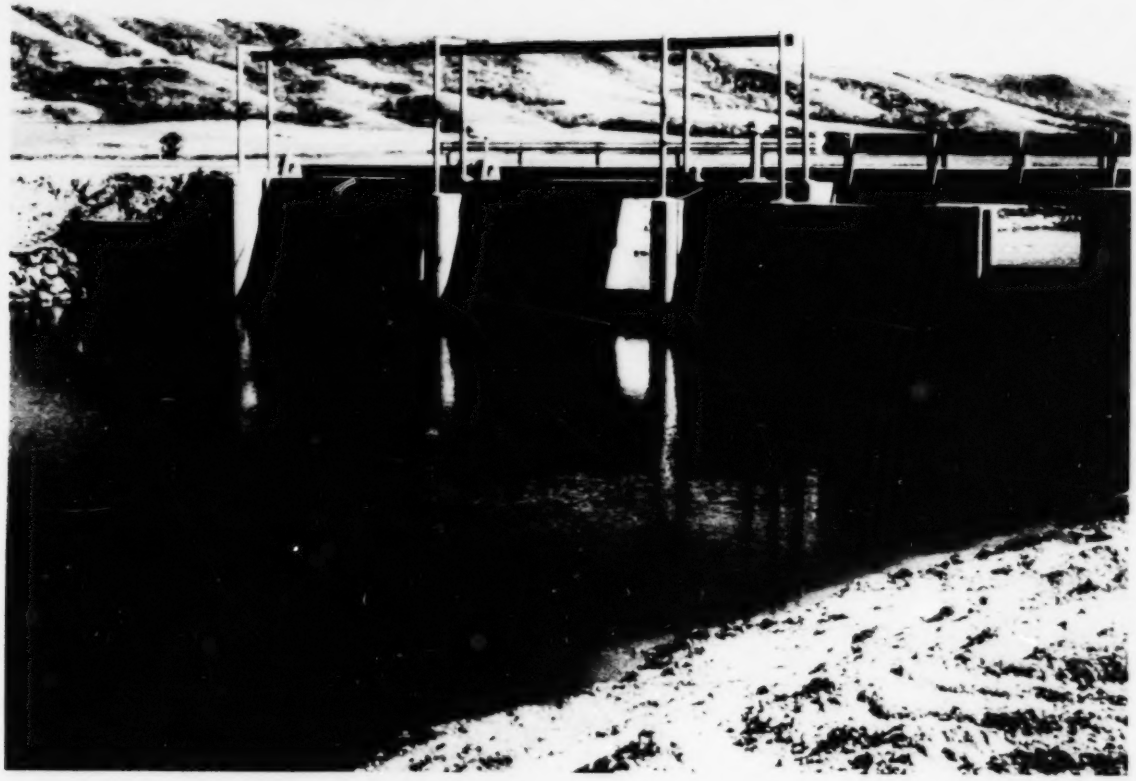
Left to Right: Keith Parker, MLA, Moose Jaw North; Garth Rattee, Fairford Developments Inc.; Hon. Eric Berntson; Mayor "Scoop" Lewry; Bud Smith, MLA, Moose Jaw South.

Organizational Chart



SASKATCHEWAN WATER CORPORATION

Saskatchewan Water Corporation



Profile

The Water Corporation Act gives Sask Water the following specific powers and purposes.

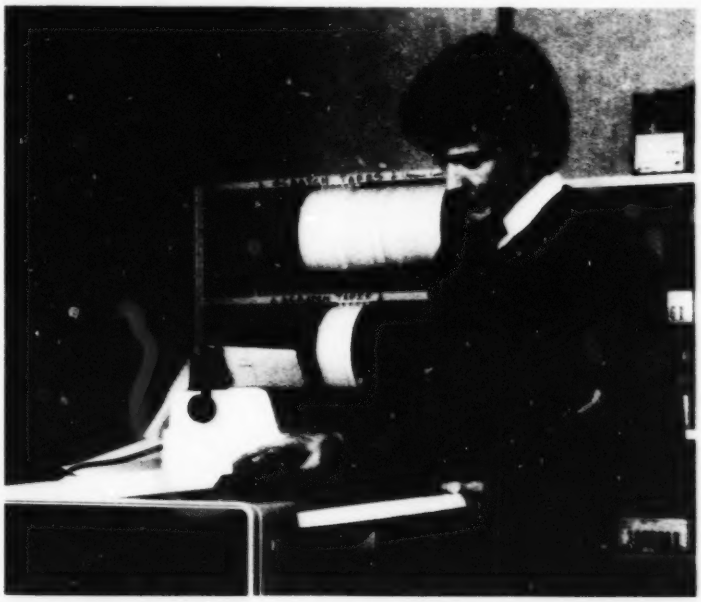
1. Manage, administer, develop, control, and protect the water and related land resources of Saskatchewan.
2. Promote the economical and efficient use, distribution, and conservation of water.
3. Maintain and enhance the quality and availability of water for domestic, agricultural, industrial, recreational, and other purposes.
4. To undertake and co-ordinate research and studies relating to water resources.
5. Supply or make water available.
6. Consider applications for the use of water or the construction or operation of waterworks, sewage works, and drainage works.
7. Regulate and control the flow of water in lakes, rivers, and reservoirs.
8. Collect fees, levies, and charges.
9. Acquire or construct, manage, and operate any works.

In accordance with the Act, all assets and liabilities of the Saskatchewan Water Supply Board were vested in Sask Water as of July 1, 1984, with Sask Water assuming responsibility for the operations formerly carried on by the Water Supply Board. In addition, the functions relating to the powers and purposes of Sask Water and formerly carried out by certain government departments were transferred to Sask Water, along with their related assets. Those departments relinquishing such functions were:

Department of Agriculture
Department of Environment
Department of Urban Affairs

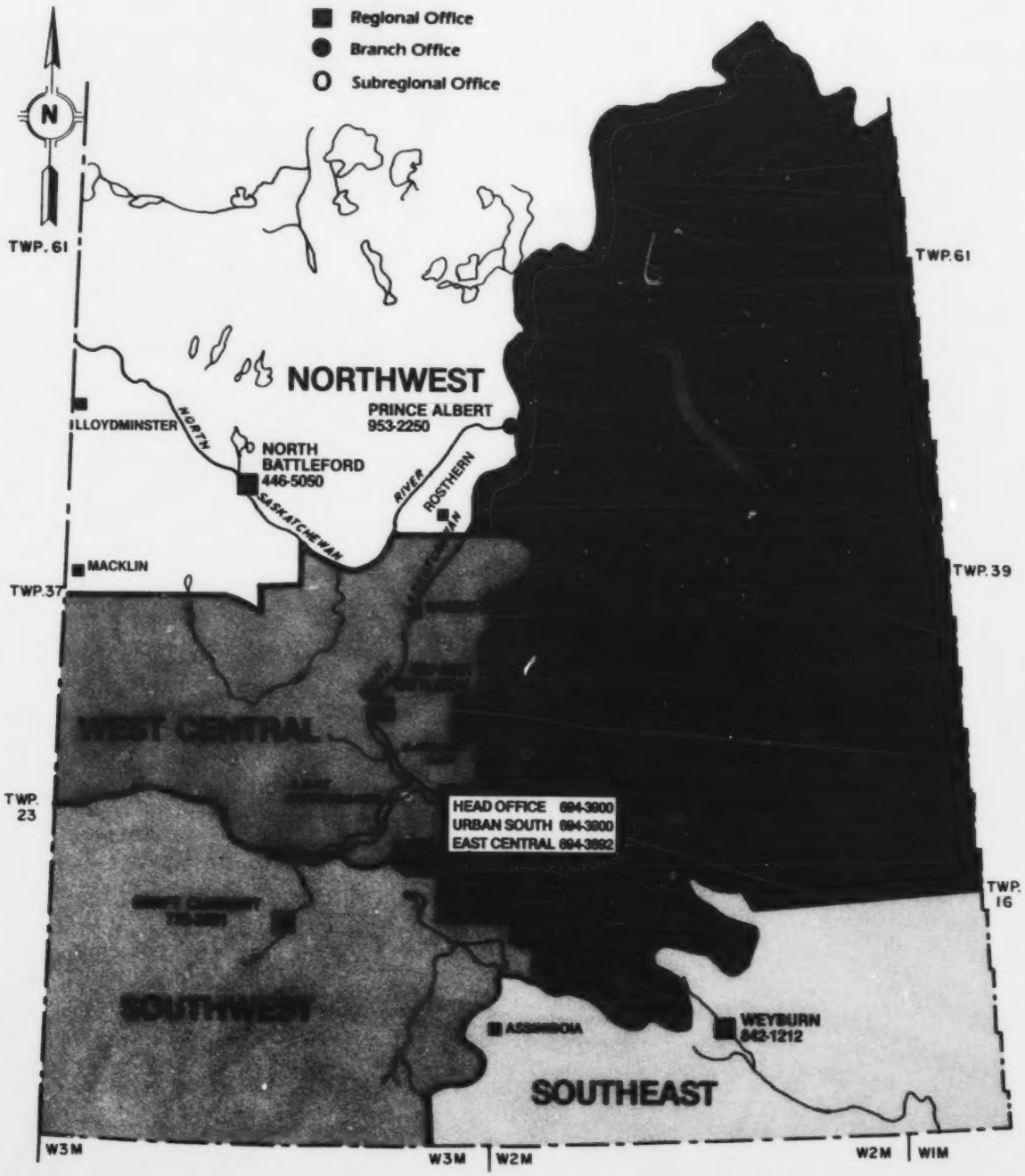
The corporation's mailing address is:

Victoria Place
111 Fairford Street East
Moose Jaw, Saskatchewan, S6H 7X9.



Corporate Review
Regional Map

Watershed Management Regions



Corporate Review

Corporate Affairs

The Corporate Affairs Division of the corporation is a support services division. The services provided include public affairs, accounting and budgeting, human resources and other administrative functions.

Resource Management

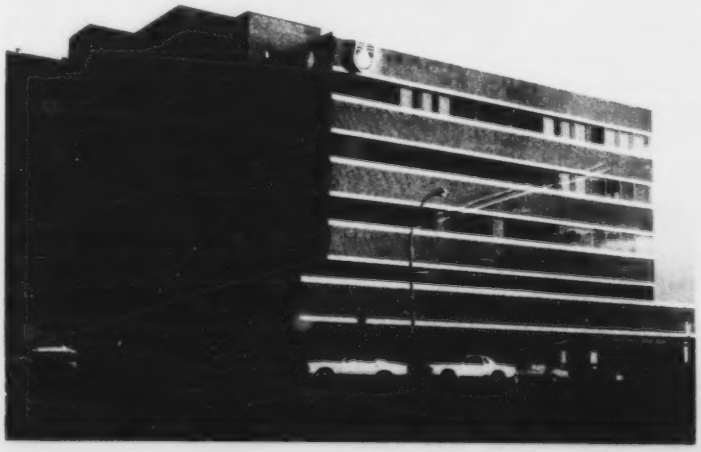
The Resource Management Division is responsible for overall management of the province's water resources, provision of support services to the regional offices and participates in the management of interjurisdictional water matters through two branches. The Engineering Branch provides specialized design services, contract administration, stream flow monitoring, flow forecasting, hydrological investigations, centralized computer services, advisory service to local government organizations and maintains water use records. The Planning Branch is responsible for basin planning, floodplain management and economic analyses.

Resource Management is responsible for implementing the federal/provincial agreements for Qu'Appelle Conveyance, Flood Damage Reduction and the Hydrometric Agreement through representatives on the management committees established for each federal/provincial agreement.

The Saskatchewan Water Corporation also serves on many boards and committees including the Prairie Provinces Water Board, Canada-Saskatchewan Consultative Committee, International Souris River Board of Control, Mackenzie River Basin Committee, Peace-Athabasca Delta Implementation Committee, South Saskatchewan Reservoir Board and the Qu'Appelle Operation Board.

Some of the major activities during 1985 included:

1. Undertook major maintenance work on Gardiner Dam and carefully planned the operation of Lake Diefenbaker because of below normal flows.
2. Completed economic studies of the irrigation and recreation benefits of Rafferty and Alameda reservoirs and participated in provincial and international negotiations for the multi-purpose project.
3. Finalized an easement agreement with the Piapot Indian Band for construction of channel improvements to the Qu'Appelle River.
4. Finalized negotiations for federal/provincial agreements on flood hazard mapping and studies, structural and non-structural flood protection measures and planning studies to develop a framework plan for management of the water resources of the South Saskatchewan River basin.
5. Developed proposed policies and programs for major channel improvements, soil and water management and consultant services.
6. Prepared or revised standards for drafting, contract documents, contracting and earth dam design to ensure quality in engineering design and construction of projects undertaken by the corporation.
7. Installation of a computer system for more efficient data processing, drafting, word processing and regional office communications.
8. Completed major studies on the Cold Lake River basin, Poplar River basin, Avonlea Creek basin and Wakaw Lake.



Corporate Review

Watershed Management

The Watershed Management Division provides engineering, technical, and administrative assistance to individuals and client groups throughout the province. The division also administers financial assistance programs for water management projects directed at local governments, interest groups and individuals.

All field programs are delivered through six regional offices located in Weyburn, Swift Current, Outlook, North Battleford, Nipawin, and Moose Jaw, which has a subregional office in Melville. Each office has professionally trained staff capable of addressing most water management issues. Primary emphasis of the division is on customer services and on managing and developing the province's water resources.

A watershed advisory board comprised of members selected from local communities is appointed for each region. The boards work closely with regional managers in monitoring regional activities and providing advice and recommendations related to assistance programs and problems.

Two new programs were introduced in 1985. The Water Monitoring Assistance Program provides financial assistance for the purchase and installation of water meters on intensive irrigation systems. The Dugout and Small Storage Reservoir Assistance Program provides financial assistance for constructing or enlarging dugouts and other storage reservoirs for the purpose of enhancing domestic water supplies.

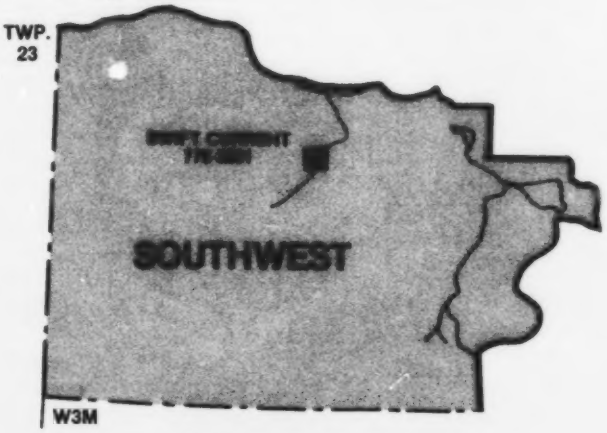
With respect to irrigation development, the Watershed Management Division engaged the services of UMA Engineering Limited to undertake an Irrigation Project Appraisal Study. The purpose of the study was to evaluate the financial and socio-economic impacts of irrigation and the direct and indirect economic benefits of irrigation to farmers, local communities, Saskatchewan and Canada. The study conclusions will provide the basis for decisions to develop irrigation projects in Saskatchewan and the level of government participation.

The following summarizes some key activities for each region in 1985.

Southeast Region (Weyburn)

An agreement was entered into between Sask Water and the City of Weyburn for construction of flood protection works valued at $1.6 million. Minor work was undertaken in the fall of 1985, with construction of the major works planned for 1986 and 1987.

Activity was high in emergency dugout pumping and assistance for construction of dugouts and small storage reservoirs.



Southwest Region (Swift Current)

Below normal spring runoff caused many water use inquiries. Activity was high in the Water Monitoring Assistance Program.

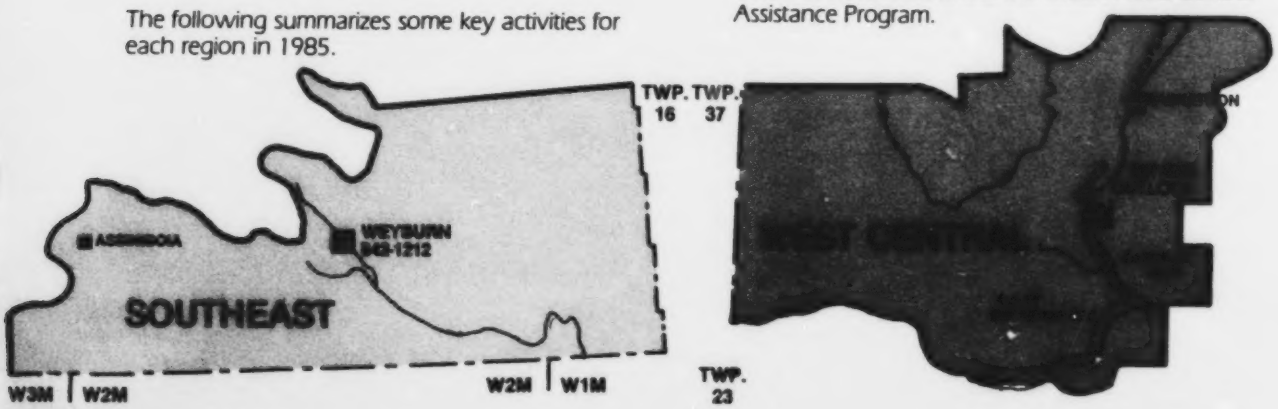
In response to an urgent appeal by irrigation farmers for water, a pumping project was constructed to assist in delivering water out of Cypress Lake. Also, construction began on the Coderre Weir for the purpose of servicing intensive irrigators.

West Central Region (Outlook)

Activity was high in the well assistance programs and Water Monitoring Assistant Program.

Grants and investigations associated with the South Saskatchewan River Irrigation Project were focused on remedial works related to seepage and salinity.

Works valued at $1.2 million were completed for the Town of Rosetown under the Urban Flood Control Assistance Program.



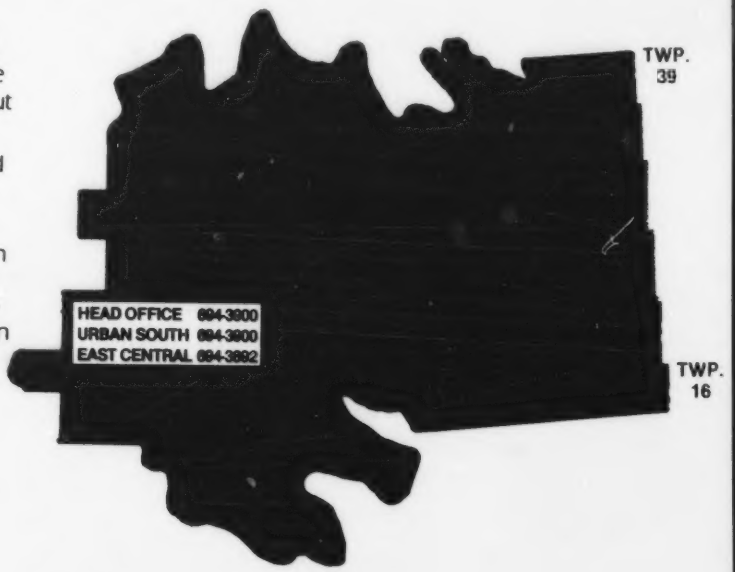
Corporate Review

East Central Region (Moose Jaw, Melville)

The region experienced a high level of activity in the well assistance programs and the Emergency Dugout Pumping Program.

High runoff in the eastern part of the region resulted in high activity in requests for flood control project investigations and maintenance of existing works.

Clean-up work and maintenance was undertaken in relation to the Qu'Appelle Conveyance Program, Phases I and II. The successful conclusion of right-of-way negotiations with the Piapot Indian Band late in the year provided optimism for construction to proceed on Phase III in 1986.



Northwest Region (North Battleford)

Much of the activity in the region related to investigations leading to approvals for the use of surface and groundwater associated with the oil and mining industries. Also, several investigations were made into municipal lagoon discharge and seepage problems and sewage disposal problems.

The region was actively involved in working with Resource Management Division in monitoring lake levels and carrying out stream flow measurements.

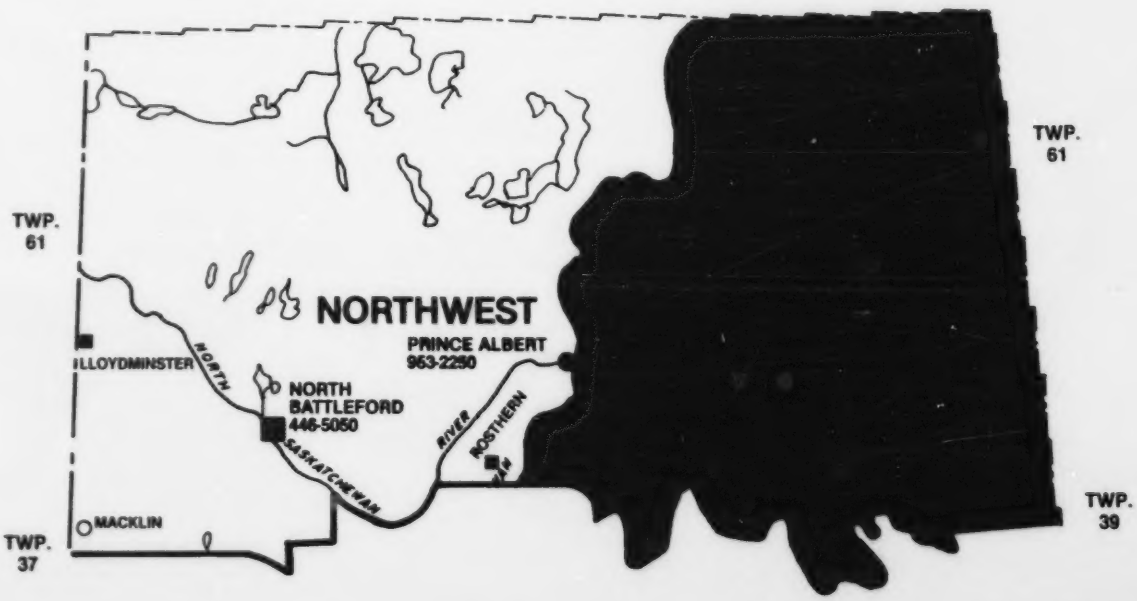
Construction was completed on the Furness Flood Control Project located south of Lloydminster. Total value of the project is $175,000. Also, the Yankee Flood Control Project, located north of Prince Albert, was constructed at a total cost of $76,000.

Northeast Region (Nipawin)

High spring runoff resulted in a high interest for flood control and soil erosion related projects. Also, staff spent considerable time investigating drainage and related flooding complaints.

Projects of significance included the Phase I construction of the multi-purpose Salkeld's Lake Flood Control Project near Kelvington, valued at $840,000 and the Village of Aylsham Flood Control Project, valued at $315,000.

Maintenance grants for existing projects totalled in excess of $255,000.



SASKATCHEWAN WATER CORPORATION

Corporate Review

Watershed Management Division

Assistance Programs

The following table provides details on the level of activity in 1985 under the division's major assistance programs.

Assistance Program	Assistance Provided	Number of Recipients	Amount of Direct Financial Assistance*	Eligible Recipients
1. Well Test Drilling	technical, financial	582	$463,200	individual, farmer or rancher
2. Deep Well	technical, financial	149	$153,700	individual, farmer or rancher
3. Community Well	technical, financial	19	$ 90,200	rural municipalities
4. Dugout and Small Storage Reservoir	technical, financial	108	$ 39,600	individual, farmer or rancher
5. Emergency Dugout Pumping	pumping equipment	495	N/A	individual, farmer, rancher, small community
6. Water Monitoring	technical, financial	131	$103,400	individual irrigators in sensitive basins and group irrigation organizations
7. Individual Irrigation	engineering	222	N/A	farmer, rancher
8. Urban Sewer & Water	engineering, technical	60	N/A	small communities
9. Group Irrigation				group irrigation organizations
— capital works:	engineering, administration, financial	11	$539,600	
— maintenance:	engineering, financial		$ 3,900	
10. Erosion Control	engineering, financial	26	$ 42,300	farmer, rancher, organized groups
11. Channel Clearing	engineering, financial	17	$ 38,500	rural municipalities
12. Urban Flood Control	engineering, financial	12	$754,500	urban municipalities
13. Rural Water Control				organized groups
— capital works:	engineering, administration, financial	42	$516,600	
— maintenance:	engineering, financial		$358,800	
14. Qu'Appelle Implementation	engineering, financial			federal/provincial
— capital works:			$213,900	
— maintenance:			$ 55,000	
15. Approvals Issued				
a) Surface Water Projects:	technical		N/A	all owners of works
— to construct		176		
— to operate		151		
— temporary permits		32		
b) Groundwater Projects:	technical		N/A	all owners of works
— to construct		29		
— to operate		23		
— investigation permits		67		
— temporary permits		1		
c) Drainage Projects	technical		N/A	all owners of works
— to construct		33		
— to operate		10		
16. Complaints	engineering investigations		N/A	any persons affected
a) formal		90		
b) informal		300		

* Amount of financial assistance rounded to nearest hundred.

Corporate Review

Water Supply and Utility Management

The Water Supply and Utility Management Division of The Saskatchewan Water Corporation handles the corporation's water supply utilities, land negotiations, and financial and technical assistance for water and sewer systems.

Some achievements in 1985 included:

1. **Water Supply**
   A total of $2,600,000 was invested in pipelines and related works to upgrade the delivery capacity and to add new customers. The supply systems in service consist of 137 km. of canals, 5 storage reservoirs and 237 km. of pipelines. The works serve 14 industrial, 15 municipal and 153 domestic connections. A pipeline to supply two new municipal customers, Marquis and Tuxford, is under construction and will be in service in 1986.

2. **Federal/Provincial Agreement**
   Work to upgrade the water and sewer facilities at 16 communities was initiated in 1985 and an additional 12 communities received commitments of funds for projects. This program is being managed by PFRA for Canada and by Sask Water for the province.

3. **Grant Payments**
   Sask Water provided grant assistance to 152 urban centres to assist with water and sewer projects totalling $4,700,000. These grants assisted cities, towns, villages, hamlets and northern communities to upgrade service to their residents.

4. **Northern New Facilities**
   Major construction of water and sewer systems for the northern communities of Denare Beach and Pelican Narrows was completed, while smaller projects at La Loche, Turnor Lake, Stanley Mission, Sturgeon Landing and Wollaston Lake were completed. Just over $1,000,000 was spent on these northern projects.

5. **Technical Assistance**
   Technical assistance was provided to over 70 communities where expansion or upgrading of systems was planned and assistance was provided on 385 approvals to construct or operate projects.

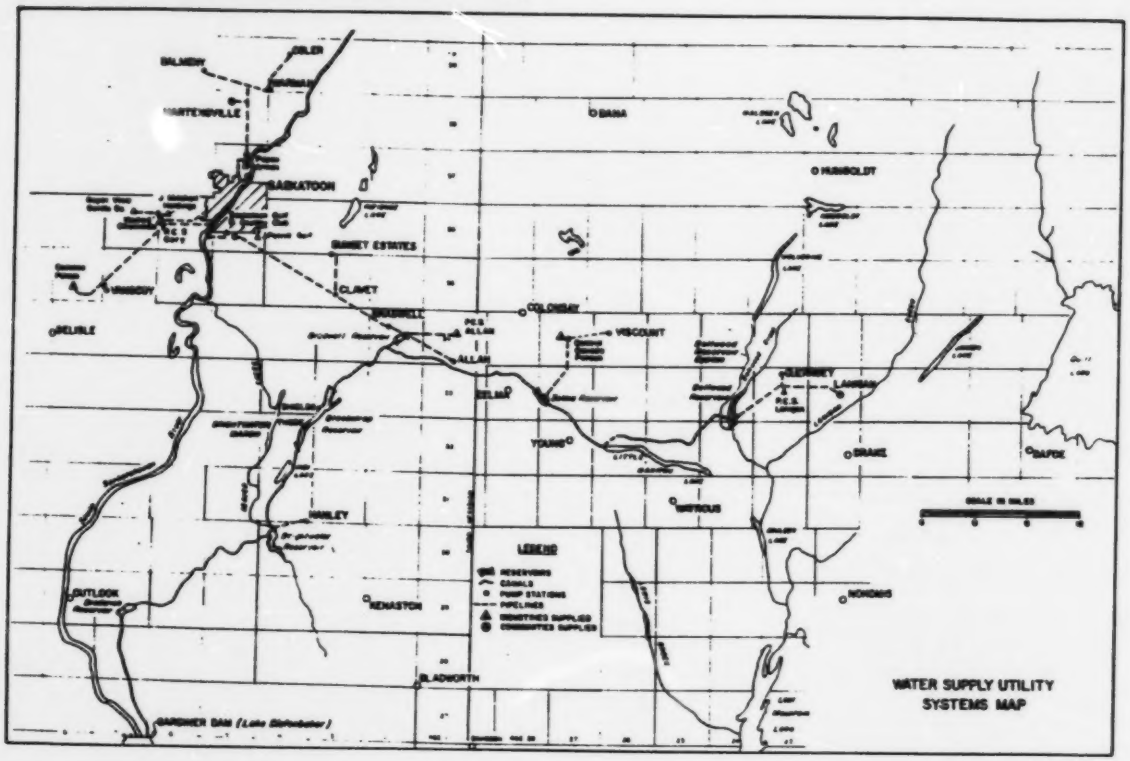
6. **Right-of-Way**
   Land requirements on over 50 projects were attended to during 1985. Late in the year, the labour dispute at the land titles offices slowed progress on all land activities.

7. **Joint Venture Research Project**
   A joint venture research project with Water Conditioning Canada progressed more slowly than anticipated and will continue into 1986 in order to obtain proven results on the application of ultraviolet light to water treatment.

8. **Northern Operation and Maintenance**
   In order to assure the continued usefulness of water and sewer systems in remote northern communities, a program of operation and maintenance training is provided. This program was made available to Indian Reserve systems through a contract with the Federal Department of Indian and Northern Affairs.

Corporate Review

Water Supply Utility Systems Map



Pipeline Customers

SYSTEM	INDUSTRIAL	MUNICIPAL		OTHER*
Saskatoon Southeast	PCS – Allan Division PCS – Lanigan Division Central Canada Potash	Shields Thode Lanigan	Hanley Guernsey Viscount	22
Saskatoon West	Cominco PCS – Cory Division Saskatoon Golf & Country Club Petrill Golf Cedar Villa Estates	Vanscoy		80
Saskatoon Treated	PCS – Cory Division United Chemicals Johanna Mitchell Holdings Ltd. Royal View Cattle Ltd. Armak Chemicals Saskatoon Chemicals	Allan Blucher, R.M. Bradwell Clavet Martensville Warman Osler Dalmeny		51

*Other includes farm holdings and approved domestic installations.

Corporate Review

Surface Water Diversions

SURFACE WATER CUSTOMERS	ACRE-FEET SUPPLIED 1985	1984*	Increase (Decrease) Amount	Per Cent
Department of Agriculture — Irrigation Projects	24,855	23,001	1,854	8.1
Department of Parks and Renewable Resources — Recreation	4,800	6,900	(2,100)	(30.4)
— Waterfowl Breeding Projects	1,750	7,460	(5,710)	(76.5)
TOTAL	31,405	37,361	(5,956)	(15.9)

*Calendar year used for the purpose of comparison and includes figures for the Saskatchewan Water Supply Board (transferred to Sask Water on July 1, 1984)

Pipeline Diversions

System	Component	MILLIONS OF GALLONS SUPPLIED 1985	1984*	Increase (Decrease) Amount	Per Cent
Saskatoon - Southeast	Industrial	567.0	633.5	(66.5)	(10.5)
	Municipal	94.1	106.9	(12.8)	(11.9)
	Other	5.9	4.8	1.1	22.9
SYSTEM TOTALS		667.0	745.2	(78.2)	(10.5)
Saskatoon West	Industrial	348.8	397.1	(48.3)	(12.2)
	Municipal	11.2	10.2	1.0	9.8
	Other	18.2	19.5	(1.3)	(6.7)
SYSTEM TOTALS		378.2	426.8	(48.6)	(11.4)
Saskatoon Treated	Industrial	150.2	144.8	5.4	3.7
	Municipal	166.6	175.6	(9.0)	(5.1)
	Other	16.5	19.5	(3.0)	(15.4)
SYSTEM TOTALS		333.3	339.9	(6.6)	(1.9)
All Systems	Industrial	1,066.0	1,175.4	(109.4)	(9.3)
	Municipal	271.9	293.3	(21.4)	(7.3)
	Other	40.6	43.8	(3.2)	(7.3)
TOTAL ALL SYSTEMS		1,378.5	1,511.9	(134.0)	(8.8)

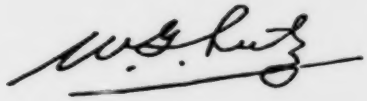
*Calendar year used for the purpose of comparison and includes figures for the Saskatchewan Water Supply Board (transferred to Sask Water on July 1, 1984)

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Water Corporation as at December 31, 1985 and the statements of operations and retained earnings and changes in financial position for the year ended December 31, 1985. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Water Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.



Regina, Saskatchewan
February 21, 1986

W. G. Lutz, F.C.A.,
Provincial Auditor.

Saskatchewan Water Corporation

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1985

	1985	1984
	(Thousands of Dollars)	
ASSETS		
CURRENT		
Short-term investments — at cost	$12,962	$ 7,378
Accounts receivable	3,029	2,165
Prepaid expenses and supplies	245	224
	16,236	9,767
PROPERTY, PLANT AND EQUIPMENT (notes 3 and 4)	15,386	12,730
	$31,622	$22,497
LIABILITIES AND PROVINCE'S EQUITY		
CURRENT		
Bank indebtedness	$ 3,577	$ 3,540
Note payable (note 5)	1,000	—
Accounts payable and accrued liabilities	4,486	3,026
Deferred grants (note 6)	10,173	3,355
	19,236	9,921
DEFERRED UTILITY REVENUE	804	879
LONG-TERM DEBT (note 7)	6,275	7,653
	26,315	18,453
PROVINCE'S EQUITY		
Advance from Crown Investments Corporation of Saskatchewan (note 8)	700	700
Contributed surplus (note 3)	870	870
Retained earnings	3,737	2,474
	5,307	4,044
	$31,622	$22,497

See accompanying notes

Saskatchewan Water Corporation

STATEMENT OF OPERATIONS AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1985

	Year Ended December 31 1985	Six Months Ended December 31 1984
	(Thousands of Dollars)	
REVENUE		
Grants from the Province of Saskatchewan (note 6)	$21,283	$14,145
Water (note 9)	3,990	2,277
Interest	862	658
Other	411	361
	26,546	17,441
EXPENSES		
Grants (note 10)	13,158	9,609
Operations	11,508	6,895
Interest (note 11)	—	105
Depreciation	617	307
	25,283	16,916
NET EARNINGS	1,263	525
RETAINED EARNINGS, BEGINNING OF YEAR	2,474	—
RETAINED EARNINGS TRANSFERRED FROM SASKATCHEWAN WATER SUPPLY BOARD (note 3)	—	1,949
RETAINED EARNINGS, END OF YEAR	$ 3,737	$ 2,474

See accompanying notes

Saskatchewan Water Corporation

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1985

	Year Ended December 31 1985	Six Months Ended December 31 1984
	(Thousands of Dollars)	
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings	$ 1,263	$ 525
Charges and credits not affecting cash		
Depreciation	617	307
Sinking fund earnings	(1,378)	(559)
Other	(110)	(45)
	392	228
Increase in deferred grants	6,818	3,286
Other working capital changes	1,575	882
	8,785	4,396
Investment activities		
Capital acquisitions	(3,238)	(1,389)
Less assets transferred at no cost	—	870
Capital expenditures	(3,238)	(519)
INCREASE IN CASH POSITION	5,547	3,877
CASH POSITION, BEGINNING OF YEAR	3,838	—
CASH DEFICIENCY TRANSFERRED FROM SASKATCHEWAN WATER SUPPLY BOARD	—	(39)
CASH POSITION, END OF YEAR	$ 9,385	$ 3,838
Consists of:		
Bank indebtedness	$ 3,577	$ 3,540
Short-term investments	12,962	7,378
	$ 9,385	$ 3,838

See accompanying notes

Saskatchewan Water Corporation

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1985

1. STATUS OF THE CORPORATION

The Saskatchewan Water Corporation was established on July 1, 1984, under the authority of **The Water Corporation Act.**

In accordance with the provisions of the Act, the corporation's general powers and purposes are to manage all water resources, to control, develop and administer the use of all water resources in the Province of Saskatchewan in an economic and efficient manner, and to own and operate water-related works. In addition, the corporation may provide financial assistance to various persons, communities and organizations to carry out its general powers and purposes.

The financial results of the corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan.

2. SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Assets transferred to the corporation were recorded at values identified in note 3. Other assets acquired by the corporation are recorded at cost. When assets are sold or retired, the related recorded capital value and accumulated depreciation are removed from the accounts and the gain or loss is reflected in income for the year.

Depreciation

Depreciation is calculated at the following annual rates designed to amortize the recorded capital value over the estimated useful lives of the assets.

Buildings — straight line — 2½% to 5%
Water facilities — straight line — 2% to 10%
Maintenance and office equipment — diminishing balance or straight line, as appropriate — 10% to 30%

Capitalization of Expenses

(i) Interest Expense

Interest on loans for construction projects is capitalized during the construction period at the average annual rate of borrowing.

(ii) Internal Services

Internally provided engineering and land services are capitalized at a rate of ten per cent of the total of direct project construction costs provided that such costs for an individual project are less than $1,000,000. The object of this policy is to recognize the approximate value of design, supervision, and administration services rendered by corporation employees on construction projects.

For projects with estimated total direct construction costs of greater than $1,000,000, the actual costs of internally provided engineering and land services are accumulated and capitalized.

Amortization of Deferred Utility Revenue

Deferred utility revenue represents revenue prepayments which are required in some cases from customers at the commencement of supply. These prepayments are amortized into operating revenue at 5% per annum straight line. Amortization credited to revenue in 1985 amounted to $75,000 (1984 - $37,000).

Saskatchewan Water Corporation

Grants from the Province of Saskatchewan

Under the authority of Section 21 of **The Water Corporation Act,** the corporation receives grants out of moneys appropriated by the legislature for the purposes identified in that section from the Consolidated Fund of the Province.

Grants received for the payment of administration costs are recorded as revenue to the extent that administration costs of non-utility operations exceed revenue relating to this segment of the corporation's activities. Grants received for the purpose of paying program grants are recorded as revenue to the extent that the related program expenditures are recorded as an expense.

Grants received but not credited to revenue are recorded as deferred grants.

Grants

Grants for a variety of programs are recorded as an expense if the final approval for the grant payment was made during the year. Where the corporation enters into contractual arrangements for project construction under various assistance programs, expenditures are accounted for on an accrual basis.

Segmented Information

Revenues and expenses directly attributable to each segment of the corporation's activities are reflected in the results of operation of each segment together with an allocation of general administrative expenses on the basis of the number of employees directly employed by each segment.

3. TRANSFER OF ASSETS

Under the authority of subsections 75(1) and 76(3) of **The Water Corporation Act,** all assets, liabilities, obligations and the retained earnings of $1,949,000 of the Saskatchewan Water Supply Board which existed on June 30, 1984, were transferred to the newly created corporation. These assets, which were vested in the corporation on July 1, 1984, were recorded at the June 30, 1984, audited book values of the Saskatchewan Water Supply Board.

Under the authority of subsection 75(1) of **The Water Corporation Act,** The Water Corporation Transfer of Assets Regulations were established to transfer to the corporation property and assets of the Departments of Agriculture, Environment, and Urban Affairs. These assets were recorded by the corporation at their estimated net realizable value with a corresponding credit of $870,000 to contributed surplus.

4. PROPERTY, PLANT, AND EQUIPMENT

	1985			1984
	Capital Value	Accumulated Depreciation	Net Book Value	Net Book Value
	(Thousands of Dollars)			
Land	$ 1,412	$ —	$ 1,412	$ 1,318
Buildings	740	194	546	567
Water facilities	14,809	5,111	9,698	9,491
Maintenance equipment	1,045	439	606	883
Office equipment	789	122	667	138
Assets under construction	2,457	—	2,457	333
	$21,252	$ 5,866	$15,386	$12,730

Saskatchewan Water Corporation

5. NOTE PAYABLE

The short-term note due to Crown Investments Corporation of Saskatchewan is payable on demand, with a floating rate of interest based on Royal Bank of Canada prime rate.

6. DEFERRED GRANTS

	Balance December 31 1984	Received from Consolidated Fund of The Province	Recorded As Grant Revenue	Balance December 31 1985
		(Thousands of Dollars)		
Unrestricted grant	$ 3,355	$ 1,137	$ 4,492	$ —
Administration	—	11,944	5,087	6,857
Group Irrigation	—	2,250	1,262	988
Flood Control and Drainage	—	2,920	3,393	(473)
Municipal Water and Sewage	—	9,350	6,746	2,604
Canada — Saskatchewan Agreement on Qu'Appelle River Conveyance	—	500	303	197
	$ 3,355	$28,101	$21,283	$10,173

During 1984 and the first three months of 1985, the corporation received grants from the Province of Saskatchewan, which were not restricted for any purpose, and therefore have been included above as a separate item.

7. LONG-TERM DEBT

Year Received	Year Payable	Interest Rates	Debt Recorded	Equity in Sinking Funds
			(Thousands of Dollars)	
1967	1987	5.945%	$ 5,932	$ 5,215
1968	1988	6.585%	6,133	5,053
1969	1989	7.485%	1,124	780
1971	1991	6.930%	657	319
1977	1997	8.880%	1,030	134
1980	2000	12.000%	900	—
1983	1988	10.750%	2,000	—
			$17,776	$11,501
Long-term debt — net of sinking funds				$ 6,275

All loans, with the exception of the loans received in 1980 and 1983 from Crown Investments Corporation of Saskatchewan, are payable to the Consolidated Fund of the Province. Repayment terms for those loans are established by the Government of Saskatchewan. In 1983 it was determined that, in total, the sinking funds had sufficient equity to retire all debt payable to the Consolidated Fund at maturity and, therefore, under the authority of Order-in-Council number 1616/83, no further sinking fund installments were required. All loans received in 1967, 1968, 1969, 1971, and 1977 are subject to repayment upon six months notice.

Equity in the sinking funds is represented by the accumulated amount of sinking fund installments made to December 31, 1985, together with the accumulated earnings on the investments included in each fund. The sinking funds are managed by the Investment and Financial Services Division of the Department of Finance.

Saskatchewan Water Corporation

8. ADVANCE FROM CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

The advance is non-interest bearing and is repayable at the discretion of Crown Investments Corporation of Saskatchewan.

9. WATER POWER ACT REVENUE

Section 22 of **The Water Corporation Act** requires the corporaton to transfer to the Consolidated Fund of the Province of Saskatchewan that portion of revenues collected pursuant to **The Water Power Act** as is specified by Lieutenant Governor in Council. During 1985, the Corporation collected $825,000 (1984 – $722,000) pursuant to **The Water Power Act,** of which $412,500 (1984 – $361,000) has been recorded as Water Revenue, and the remaining $412,500 (1984 – $361,000) has been estimated and accrued as payable to the Consolidated Fund.

10. GRANTS

Included in expenses are grants (or assistance) provided to various persons, communities, and organizations to carry out a variety of programs administered by the corporation. In addition, where the condition of financial assistance for certain programs requires the corporation to provide engineering or technical services, an allocation of salaries to grant expense is made. Particulars of these grants, including salary allocation of $2,363,000 (1984 –$450,000), by program, are as follows:

	Year Ended December 31 1985	Six Months Ended December 31 1984
	(Thousands of Dollars)	
Group Irrigation	$ 1,262	$ 358
Flood Control and Drainage	3,393	1,474
Municipal Water and Sewage	6,746	7,328
Canada-Saskatchewan Agreement on Qu'Appelle River	303	70
Drought	751	379
Individual Irrigation	549	—
Water Monitoring Assistance	112	—
Dugout and Small Storage Reservoir	42	—
	$13,158	$ 9,609

11. INTEREST ON LONG-TERM DEBT

	Year Ended December 31 1985	Six Months Ended December 31 1984
	(Thousands of Dollars)	
Total interest expense	$ 1,320	$ 664
Less sinking fund earnings	1,378	559
Net interest earnings (expense)	$ 58	$ (105)

Net interest earnings of $58,000 are included in interest revenue.

12. COMMITMENTS

As at December 31, 1985, the corporation had outstanding commitments of $1,700,000 (1984 – $1,796,000) for construction contracts and consulting agreements primarily relating to grant assistance.

Saskatchewan Water Corporation

13. LEASES

The corporation has entered into operating lease agreements with the following minimum lease payments:

	(Thousands of Dollars)
1986	$ 90
1987	90
1988	71
1989	27
1990	10
1991 and subsequent	2
	$290

14. REMUNERATION OF DIRECTORS AND OFFICERS

During 1985, three persons (1984 – two) serving on the Board of Directors received remuneration amounting to $10,500 (1984 – $5,400). The four senior officers (1984 – six) of the corporation received aggregate remuneration amounting to $261,312 (1984 – $177,828).

15. RELATED PARTY TRANSACTIONS

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan crown controlled departments, agencies, and corporations with which the corporation is related. Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms except as described below.

In connection with the Water Supply Utility, the corporation has entered into contracts with two government departments. The contracts provide that billings be prepared substantially on the basis of a predetermined share of the corporation's fixed capital and operating costs rather than solely on the basis of a unit charge for water consumption. The contracts further state that payments by the departments are subject to appropriation of the necessary funds in each fiscal year. Revenue earned from these contracts in the year totalled $798,000 (1984 – $520,000).

Certain goods and services, primarily occupancy and furnishings were provided to the corporation at no charge by government departments.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

16. COMPARATIVE FIGURES

The 1984 comparative figures have been restated to conform with the changes made during the current period in classifying items in the financial statements.

Saskatchewan Water Corporation

17. SEGMENTED INFORMATION

Statement of Operations

	Year Ended December 31, 1985			Six Months Ended December 31, 1984		
	Water Supply Utility	Other	Total	Water Supply Utility	Other	Total
	(Thousands of Dollars)					
REVENUE						
Grants form the Province of Saskatchewan (note 6)	$ —	$21,283	$21,283	$ —	$14,145	$14,145
Water (note 9)	3,248	742	3,990	1,799	478	2,277
Interest	65	797	862	2	656	658
Other	187	224	411	100	261	361
	3,500	23,046	26,546	1,901	15,540	17,441
EXPENSES						
Grants (note 10)	—	13,158	13,158	—	9,609	9,609
Operations	1,845	9,663	11,508	1,074	5,821	6,895
Interest (note 11)	—	—	—	103	2	105
Depreciation	392	225	617	199	108	307
	2,237	23,046	25,283	1,376	15,540	16,916
NET EARNINGS	$1,263	$ —	$ 1,263	$ 525	$ —	$ 525

Saskatchewan Water Corporation

SASKATCHEWAN WATER CORPORATION

Advisory Boards

Northeast Region

Mr. Earl Breadner
(Chairman)
Codette

Mr. Jack Ukrainetz
(Vice-Chairman)
Hudson Bay

Mr. Joe Zagrodney
Wadena

Mr. Dale Northcott
Melfort

Mr. Bohdon (Buck) Borsa
Carrot River

East Central Region

Mr. Ben Kuzmicz
(Chairman)
Candiac

Mr. Arnold Schreffler
(Vice-Chairman)
Liberty

Mr. E. S. (Ted) Batters
Lumsden

Mr. J. D. (Des) Peeke
Semans

Mr. Cal Mintram
Langenburg

Mr. John Bahniuk
Canora

Southeast Region

Mr. Ed Kennett
(Chairman)
Parkman

Mr. Tom Quigley
(Vice-Chairman)
Yellow Grass

Mr. Jack Muirhead
Estevan

Mr. Lorne Kramer
Midale

Mr. John Moffat
Moosomin

Northwest Region

Mr. A. J. (Ab) Bridges
(Chairman)
North Battleford

Mr. Denis Hinz
(Vice-Chairman)
Prince Albert

Mr. George McKone
Lashburn

Mr. William Larsen
Borden

Mr. Ian Lauder
Shellbrook

Mr. Leonard Trask
Paradise Hill

West Central Region

Mr. Jack Piercy
(Chairman)
Rosetown

Mr. Doug Ector
Elbow

Mr. Slavie Hewko
Cactus Lake

Mr. Murray Oram
Central Butte

Mr. Peter McCann
Saskatoon

Southwest Region

Mr. Derald Busse
(Chairman)
Swift Current

Mrs. Cecilia Mulhern
(Vice-Chairman)
Meyronne

Mr. Don Pearson
Eastend

Mr. Mark Kilcher
Swift Current

Mr. David Kimber
Abbey